

Report of the Governance Working Group to the NEIL Transit Task Force

The Governance Working Group has been tasked with considering how well our current transit system is structured to meet the needs of the region. To that end, the working group interviewed a wide-range of transit experts, studied numerous relevant reports, examined best practices in other regions, and reviewed feedback from the transit agencies, appointing authorities, and other stakeholders in the region.

Following is a broad outline of our findings and recommendations to date.

Governance and the NEIL Transit Task Force Guiding Principles

Earlier in this process, the Task Force established principles to serve as a guide in considering options and developing recommendations to achieve a world class transit system. Several of these Guiding Principles relate directly to Governance:

1. Put the customer first by offering a safe, well-maintained, coordinated, fast, convenient, and accessible system that is a viable transportation alternative.
2. Function in an ethical, efficient, and transparent manner that demonstrates professional competence and clear accountability to all of the region's residents.
3. Promote economic vitality by matching development with transit service, connecting communities, employment centers, and other destinations throughout the region.
4. Plan ambitiously and adapt to change, continually refining transit services and investments to increase ridership, relieve congestion, and provide an abundance of transportation choices.
5. Embrace innovative technology and systems in finance, communications, vehicles, infrastructure, and customer service.
6. Be adequately, predictably, equitably, and sustainably funded to provide high levels of performance and maintain a state of good repair.

Governance and the Recommendations of the Task Force to Date

The System Performance, Finance, and Ethics Working Groups have presented their findings and initial recommendations to the Task Force. Many of these have explicit implications for the Governance Working Group, specifically:

1. Establish a new, broader mandate for the northeastern Illinois transit system. The system will improve overall regional mobility for residents and visitors, increase transit ridership, increase transportation affordability, expand access to jobs, labor markets, and other key destinations.
2. Prepare and implement a plan to improve regional mobility and increase transit ridership throughout the region.
3. Create regional performance measures that assess progress toward implementing the plan to improve regional mobility and achieving its goals.

4. Implement a regional financial planning process that supports the Guiding Principles and, in the most efficient manner possible, creates a framework for allocating operating and capital funds on a consistent and sustainable basis.
5. Develop a public outreach program that creates greater public advocacy for increased investment in transit through new funding sources.
6. Identify a new funding framework for transit operations that supports the Guiding Principles, and in the most effective manner possible, generates adequate resources to meet the investment needs of the system on a consistent and sustainable basis. Eliminate the current operating formula and allocate the existing operating funds according to a formula based on performance metrics and new operating funds through programs based on competition and performance.
7. Revise the Capital Funding Allocation to maintain a safe and reliable system while allowing for appropriate service improvements that are aligned with regional transit goals and performance measures. Stop using the historic formulas and allocate existing capital funds to meet state of good repair and through programs based on competition and performance.
8. To mitigate limited public resources for funding, eliminate barriers to entry for the private sector.
9. Establish performance-based management practices across the system, such as joint procurements, maximizing the use and deployment of existing staff, and/or consolidating certain administrative functions.

Findings Related to Governance

Note: These are broad, draft findings supported by input the Task Force and Working Group have received from various sources.

1. **For the most part, power and authority for transit have been vested with the three Service Boards.**
 - When the transit system was last reorganized in 1983, the three Service Boards - the CTA, Metra, and Pace - were designed to be largely autonomous, independent authorities. The Service Boards were given the sole responsibility to “determine the level, nature and kind of public transportation which should be provided for the metropolitan region.” (RTA Act)
 - The 1983 reorganization left the RTA with taxing authority, budgeting oversight, and planning functions. The RTA was given the responsibility of ensuring adequate transit throughout the metropolitan region, but without the ability to actually accomplish that task - the RTA was given little control over the allocation of resources or capital programming.
 - Although the RTA was often referred to as the “transit oversight” agency, this was an illusion; it had few tools with which to conduct any oversight. It had the ability to disapprove the entire budgets of the Service Boards, but because of the drastic nature of this tool, it was never used.

- Although the 47 Board Members are appointed to the four transit Boards by the same group of elected officials, the siloed structure has led to competition and infighting.

2. Financial and system performance problems prompted transit reform in 2008.

- An impending transit financial crisis paired with lagging ridership prompted legislators and stakeholders to begin a thorough study of the problems with the transit system in the mid-2000s. It was clear any solution must include both funding and reform.
- A 2007 performance audit concluded, “The lack of strong, centralized planning, and the absence of a long-term plan that encompasses financial, programmatic, and operational aspects of the Service Boards and the RTA contributes to the problems that face mass transit in northeastern Illinois.” The report recommended that the role of the RTA be clarified and strengthened.
- In addition to providing additional funding, the intent of the 2008 legislation was to create an efficient, integrated, and accountable regional transit system from the three independent transit agencies, reforming the RTA Act by adopting the Auditor General’s recommendations to give the RTA a new role in regional planning, fiscal oversight, and fare and service coordination.
- The 2008 reform gave the RTA new responsibility and authority to shape the regional transit system through its strategic plan and capital program. The reform included:
 - a requirement that the RTA prepare a strategic plan that would set transit goals, performance measures to track progress, and criteria with which to evaluate capital projects
 - a mandate that the Service Board budgets and financial plans be consistent with the goals and objectives adopted by the RTA in the strategic plan.

3. The 2008 reform did not achieve the intended result of creating an integrated regional transit system due to a structure, history, and culture that inhibits regional collaboration.

- The RTA has not fully utilized the new powers it was given in 2008. The inability of the RTA Board to utilize what should be a major tool at its disposal is due to a structure, culture, and history that inhibit regional collaboration.
 - Board appointments correspond to the political geography of the region - board members are aligned with the City of Chicago and the CTA or the suburbs and Metra.
 - As a result, while the mission of the RTA Board is to serve the interest of the region, its culture is to serve the particular interest of the individual appointing authorities and their favored Service Board.
 - Adoption of the annual budget and financial plan, the capital program, the strategic plan, and other important decisions all require a supermajority vote, which means each sub-region must be represented. This provision was meant to lead to regional collaboration, but because of the siloed nature of the transit agencies, it has led to stalemates and dormancy.
- Controversial topics that must be addressed, such as the distribution of a small amount of discretionary funding each year, lead to such bitter debates that important issues that may be equally divisive are never addressed.

- Under the current structure, it is easier for the RTA to rely on past practice and tradition, which preserves the status quo, rather than to make difficult decisions on the region's behalf.

4. Evidence from other regions highlights the link between governance structure and investment.

- Testimony from MTA Chair Tom Prendergast indicated that integrated governance was key to increased capital investment in the MTA - transit capital funding per resident in the New York region is nearly triple that in northeastern Illinois.
- Northeastern Illinois has been under investing in transit. The lack of funding is evident from the huge state-of-good-repair backlog, from the lack of system expansion, and from occasional service cuts. The insufficient investment is also obvious when our transit system is compared to its peers.
- Other regions have been investing more in transit. Over the past ten years, the six US transit systems with the largest ridership, excluding northeastern Illinois, (Boston, Los Angeles, New York, Philadelphia, San Francisco, and Washington DC) spent, in aggregate, \$1,683 per resident on capital for transit. In contrast, northeastern Illinois spent \$1,040 per resident.
- Cohesive regional organization leads to more investment. The contrast in transit investment is even more appreciable when the comparison is limited to the consolidated systems or those with strong regional oversight (Boston, New York, Philadelphia, San Francisco, and Washington DC). Over the past ten years, these systems spent, in aggregate, \$2,050 per resident on capital for transit. Had northeastern Illinois invested at the same rate as its better organized peers, it would have provided an additional \$870 million each year for transit.
- New revenues for transit will only come with reform. Northeastern Illinois desperately needs a consistent, stable source of capital for transit. But we are not currently organized in a way that gives the state or the region confidence that transit is a wise investment. The first step to better funding is a better organization of the transit system that will spend it.
- Increased capital spending can lead to increased ridership. Capital investment allows system expansion, increased service, and better connections. Since 1991, transit ridership has grown by 61% in New York, 27% in Boston, and 25% in Washington DC, while in northeastern Illinois it grew by only 2%.

Structural Options for Consideration

The biggest challenge facing the Governance Working Group is to discern whether the transit system is organized in the most effective manner. There is widespread belief that it is not. It is important to note that any governance scenario includes a nearly unlimited spectrum of options that could be implemented based on the specific needs of the region. However, most concepts can be distilled into the following four basic alternatives. Note that these broad structural concepts do not include specific details, which can be addressed after a smaller number of structures are advanced. Specific proposals suggested by stakeholders during Task Force deliberations were analyzed in the context of these four

alternatives, but were not included in this report. Additional consideration and discussion of specific proposals is expected during full Task Force deliberations.

1. **Strengthened RTA Model.** In this option, the RTA would be given more authority and additional tools with which to fulfill its mission. These could include a line item budget veto, power to subpoena documents, and real-time access to financial information.

This option could be modified to involve having members of the Service Boards also serve on the RTA Board (known as a hybrid model).

2. **State Agency Model: Eliminate the RTA and give strengthened transit oversight powers to a unit within IDOT.** In this option, the RTA would be eliminated. A new office would be created within IDOT that would be responsible for coordinating the regional transit system. The office would have the power to withhold capital funding to force agreement, coordinate regional plans between planning entities and the Service Boards, oversee transit finance and the implementation of major capital projects, and coordinate Service Board activities. Operating funding would be allocated according to a formula that would incorporate performance measures and would be set by the Legislature.
3. **Service Board Centered Model: Eliminate the RTA and vest more power and authority in the Service Boards.** In this model, the RTA would be eliminated and the three Service Boards would continue their operations with increased autonomy in planning, budgeting, and capital programming. Certain oversight and administrative functions currently performed by the RTA, such as the pass-through of state and federal funding and taxing authority, would be transferred to an existing agency, such as the Illinois Department of Transportation. Other RTA functions could be privatized or eliminated. All operating funds would be distributed according to a formula set by the legislature.
4. **Integrated Model: Unify the transit system by consolidating all transit into one regional agency.** In this model, transit is consolidated into a single integrated agency with one board and (initially) three operating arms. The board would be responsible for setting policy and strategic direction, determining allocation of funds, and prioritizing investments for the regional transit system. The operating arms would be responsible for the day-to-day operations of transit service.

There are potentially many variations of this model, depending on the appointment process and operating arms.

Additional Recommendations for Consideration

1. **Increase state representation on transit boards.** The state contributes a significant portion of transit operating and capital funding to the NEIL transit system. It has both a financial and an economic interest in that system's success. The Governor should have greater representation through an increased number of appointments in the transit governance structure.
2. **Set minimum qualifications for board members.** NEIL transit boards should include members with proven leadership qualities and relevant professional experience in transportation, construction and engineering, finance, law, information technology, or other related fields.

3. **Allow additional public transportation service.** Currently, public bus service within the region falls under the jurisdiction of either the CTA or Pace. This law should be eliminated to allow local governments to establish bus and other transit service as needed. Such public transit services could compete for transit operating and capital funding.